

# **State of Alaska FY2008 Governor's Operating Budget**

**Dept of Commerce,Community,& Economic Development  
Alaska Seafood Marketing Institute  
RDU/Component Budget Summary**

**RDU/Component: Alaska Seafood Marketing Institute***(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)***Contribution to Department's Mission**

Increase the economic value of Alaska seafood resources.

**Core Services**

- U.S. and International Retail Alaska Seafood Promotion
- U.S. and International Foodservice Alaska Seafood Promotion
- Seafood Quality Technical Support
- Public Relations and Communications

End Results	Strategies to Achieve Results
<p><b>A: Increase the value of Alaska seafood resources</b></p> <p><u>Target #1:</u> Increase by 3% annually the ex-vessel value of key commercial species in Alaska's commercial harvest.</p> <p><u>Measure #1:</u> Compare the latest ex-vessel value with previous years' ex-vessel value of key commercial species using ADF&amp;G and NMFS data.</p> <p><u>Target #2:</u> Increase by 3% the ex-vessel value of Alaska's commercial salmon harvest.</p> <p><u>Measure #2:</u> Compare the latest ex-vessel value with previous years' ex-vessel value of Alaska salmon.</p> <p><u>Target #3:</u> Increase by 3% first wholesale value of key Alaska Salmon products.</p> <p><u>Measure #3:</u> Compare with previous years the first wholesale value for key salmon products using the Alaska Department of Revenue Alaska Salmon Price Report.</p> <p><u>Target #4:</u> Increase by 5% the volume and value of Alaska seafood exports to ASMI program destination countries.</p> <p><u>Measure #4:</u> Compare with previous years the aggregate volume and value of Alaska seafood exports, and note the proportion of those products going to countries where ASMI program is active (China, Japan, Europe) as compared with previous year's performance.</p>	<p><b>A1: In the U.S. and overseas conduct consumer campaigns, retail and foodservice promotions, public/media relations, technical education to increase the value of Alaska seafood resources.</b></p> <p><u>Target #1:</u> Stable funding to sustain ongoing long-range marketing campaigns in U.S. and key overseas markets.</p> <p><u>Measure #1:</u> Industry match raised through processor-paid marketing assessment; state general fund contribution to ASMI marketing activities; federal funds for ASMI marketing activities.</p> <p><u>Target #2:</u> Conduct consumer advertising campaigns, foodservice and retail marketing programs.</p> <p><u>Measure #2:</u> Consumer surveys relating to Alaska seafood preference; data collection on brand penetration in foodservice sector; product value increases as measured by retail scan data; export figures for Alaska seafood products to countries where ASMI is active.</p> <p><u>Target #3:</u> Successfully leverage larger share of USDA Market Access Program dollars that fund international marketing activities</p> <p><u>Measure #3:</u> USDA Foreign Agricultural Service allocation of award to ASMI, compared to previous years' share of Market Access Program funds</p>

**Major Activities to Advance Strategies**

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Conduct consumer campaigns to strengthen demand for wild and natural Alaska Seafood, stimulate sales and increase economic value of Alaska seafood</li> <li>• Execute advertising campaign to boost usage of all key commercial species of Alaska Seafood</li> </ul> | <ul style="list-style-type: none"> <li>• Partner with restaurant chains to increase number of restaurants that feature Alaska Seafood as a branded menu item.</li> <li>• Conduct quality assurance education, provide technical support for seafood industry</li> </ul> |
|---|---|

### Major Activities to Advance Strategies

- Work with broadline foodservice distributors to maximize Alaska Seafood penetration
- Customized promotion methods with retailers and foodservice operators to build on strong brand equity to differentiate Alaska Seafood from competition
- Partner with restaurant chains to increase number of restaurants that feature Alaska Seafood as a branded menu item
- Introduce Hispanic consumers in U.S. to health benefits of Alaska Seafood
- Build a customer base in segments that offer best sales opportunities (e.g., colleges and universities, catering, non-commercial foodservice)
- Aid all parts of the Alaska Seafood industry, including large and small processors, regional marketers and harvesters with resources and information
- Provide technical support to the seafood industry
- Communicate with Alaska seafood suppliers, policy makers and the seafood industry about ASMI's long-range marketing plans

### FY2008 Resources Allocated to Achieve Results

**FY2008 Component Budget: \$17,291,700**

**Personnel:**

Full time 18

Part time 0

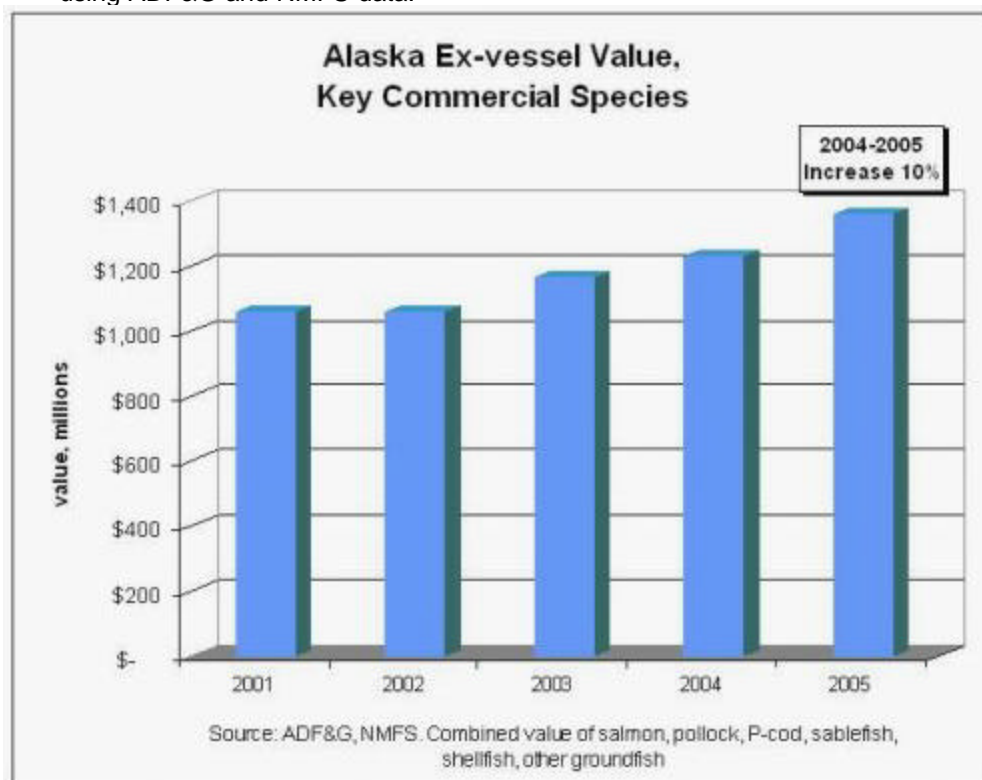
**Total** 18

## Performance Measure Detail

### A: Result - Increase the value of Alaska seafood resources

**Target #1:** Increase by 3% annually the ex-vessel value of key commercial species in Alaska's commercial harvest.

**Measure #1:** Compare the latest ex-vessel value with previous years' ex-vessel value of key commercial species using ADF&G and NMFS data.



**Analysis of results and challenges:** Ex-vessel value of key commercial species in Alaska's commercial harvest is increasing, due to significant state and federal investment in marketing and infrastructure. From 2004 to 2005 the increase was 10%. In order to continue the upward value trend continuing support for the marketing effort is essential.

Challenges include:

Price resistance -- Following periods of increase in value for particular species, Alaska producers are encountering price resistance in certain markets.

Seasonality, consistency of supply -- Harvest levels are subject to fluctuation on a seasonal basis and from year to year.

Inelastic supply -- Wild seafood resource supply is limited relative to often subsidized foreign aquaculture production.

Increasing fuel and transportation costs.

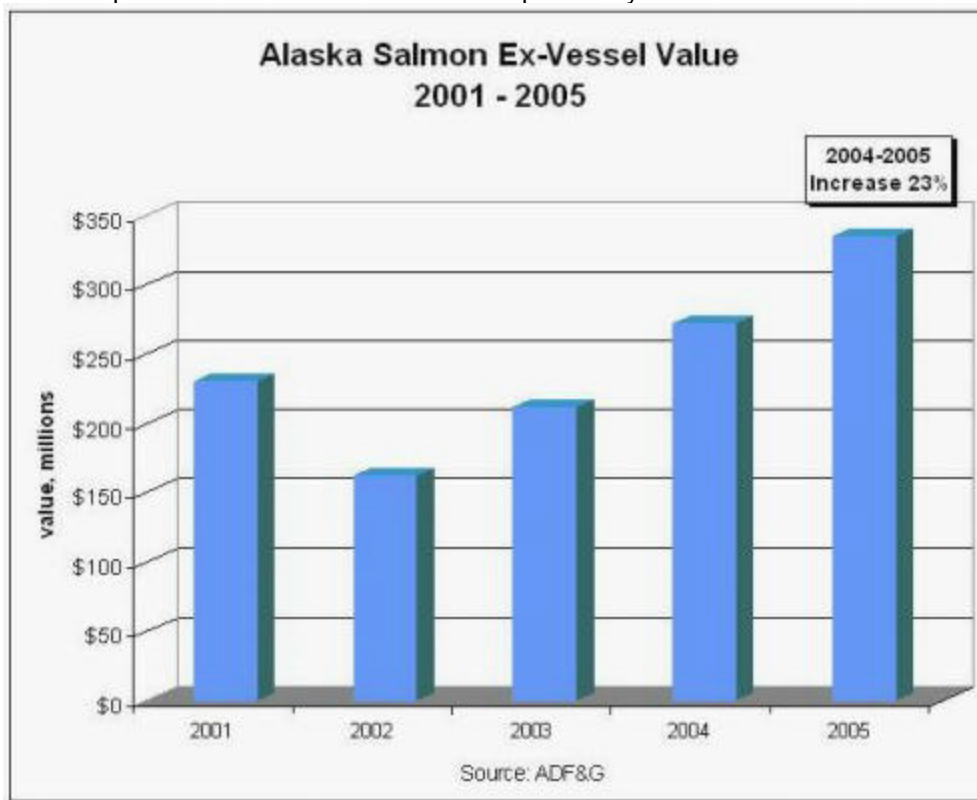
International currency fluctuations, tariffs and trade barriers affecting international trade.

Cheap Russian king crab from Barents Sea flooding the marketplace and driving down prices for Alaska king crab.

Low prices on competing proteins generally (chicken, beef, pork, dairy); well-funded campaigns promoting other proteins.

**Target #2:** Increase by 3% the ex-vessel value of Alaska's commercial salmon harvest.

**Measure #2:** Compare the latest ex-vessel value with previous years' ex-vessel value of Alaska salmon.



**Analysis of results and challenges:** Ex-vessel value of Alaska salmon is increasing, due to significant state and federal investment in marketing and infrastructure. From 2004 to 2005 the increase was 23%. In order to continue the upward value trend continuing support for the marketing effort is essential.

Challenges include:

Price resistance -- As salmon products command higher value, Alaska producers are encountering price resistance in certain markets.

Seasonality, consistency of supply -- Harvest levels are subject to fluctuation on a seasonal basis and from year to year.

Inelastic supply --- Wild seafood resource supply is limited relative to often subsidized foreign aquaculture production.

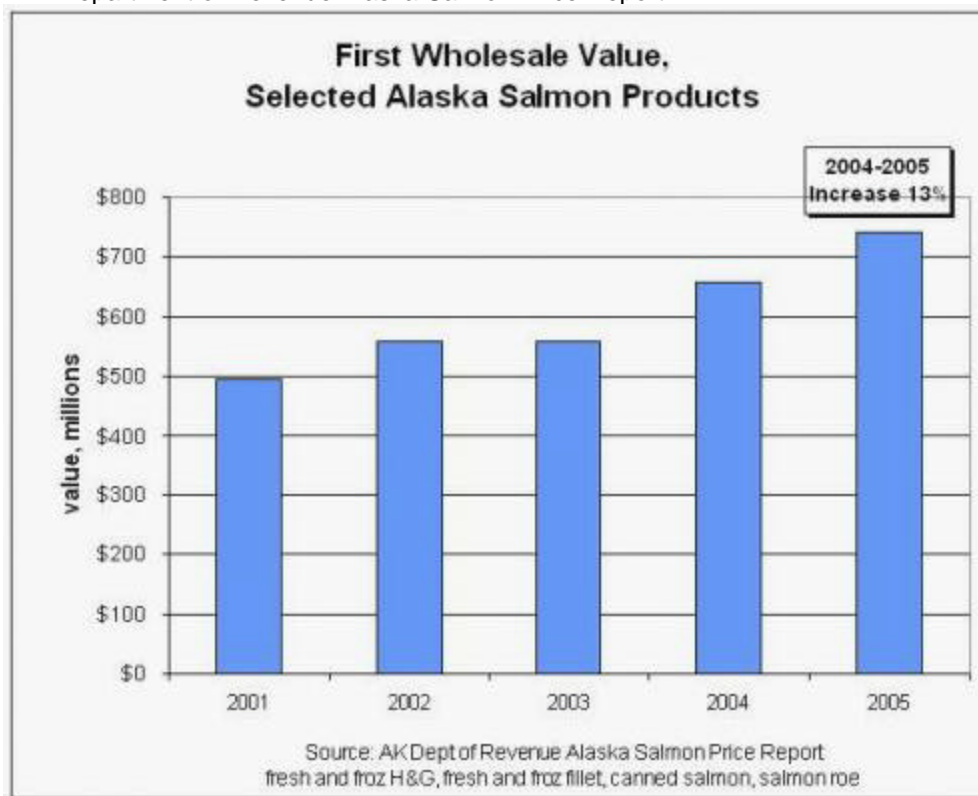
Increasing fuel and transportation costs.

International currency fluctuations, tariffs and trade barriers affecting international trade.

Low prices on competing proteins generally (chicken, beef, pork, dairy); well-funded campaigns promoting other proteins.

**Target #3:** Increase by 3% first wholesale value of key Alaska Salmon products.

**Measure #3:** Compare with previous years the first wholesale value for key salmon products using the Alaska Department of Revenue Alaska Salmon Price Report.



**Analysis of results and challenges:** First wholesale value of key commercial species in Alaska's commercial harvest is increasing, due to the seafood industry's continued transition to becoming a market-driven food industry and due also to significant state and federal investment in marketing and infrastructure. The increase in value from 2004 to 2005 was 13%. In order to continue the upward value trend continuing support for the marketing effort is essential. The industry is responding to consumer preferences for fillets, boneless and skinless portions, new shelf-stable products, and new value-added products. There has been a significant product form shift in pink salmon processing from canned to frozen.

Challenges include:

Price resistance -- As salmon products command higher value, Alaska producers are encountering price resistance in certain markets.

Seasonality, consistency of supply -- Harvest levels are subject to fluctuation on a seasonal basis and from year to year, factors which, when combined with the attendant price fluctuations make it more difficult to compete with aquacultured products.

Inelastic supply -- Wild seafood resource supply is limited relative to often subsidized foreign farmed salmon production.

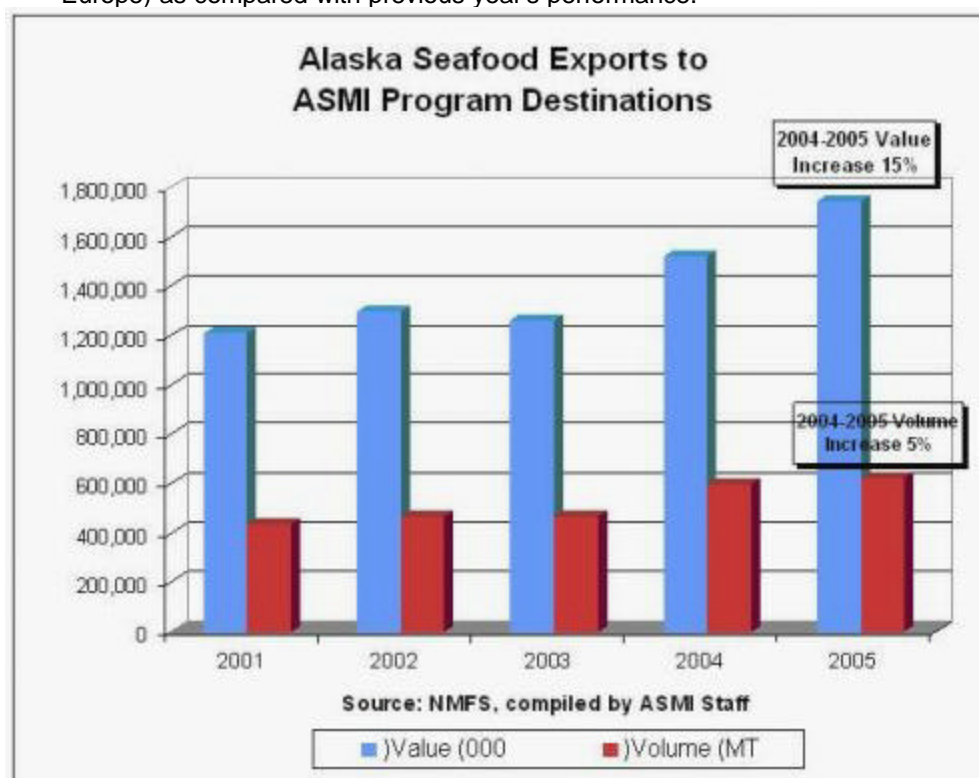
Increasing fuel and transportation costs.

International currency fluctuations and foreign exchange rates, tariffs and trade barriers affecting international trade.

Low prices on competing proteins generally (farmed salmon, chicken, beef, pork, dairy); well-funded campaigns promoting other proteins.

**Target #4:** Increase by 5% the volume and value of Alaska seafood exports to ASMI program destination countries.

**Measure #4:** Compare with previous years the aggregate volume and value of Alaska seafood exports, and note the proportion of those products going to countries where ASMI program is active (China, Japan, Europe) as compared with previous year's performance.



**Analysis of results and challenges:** Exports of Alaska's key commercial seafood species to the countries where ASMI is active are increasing, due in part to the success of Alaska's efforts to differentiate our wild and natural seafood from other products, and develop equity for the Alaska brand. Exports of Alaska seafood to the ASMI program destinations (European Union, Japan, and China) increased 15% by value and 5% by volume from 2004 to 2005. In the context of total exports of Alaska seafood to the world, exports of Alaska seafood to ASMI program destinations accounted for 70% of the total volume of Alaska seafood exports to the entire world, and 74% of the total value. In order to continue the upward value trend continuing support for the marketing effort is essential.

Challenges include:

Price resistance -- Following periods of increase in value for particular species, Alaska producers are encountering price resistance in certain markets.

Seasonality, consistency of supply -- Harvest levels are subject to fluctuation on a seasonal basis and from year to year.

Inelastic supply -- Wild seafood resource supply is limited relative to often subsidized foreign aquaculture production.

Increasing fuel and transportation costs.

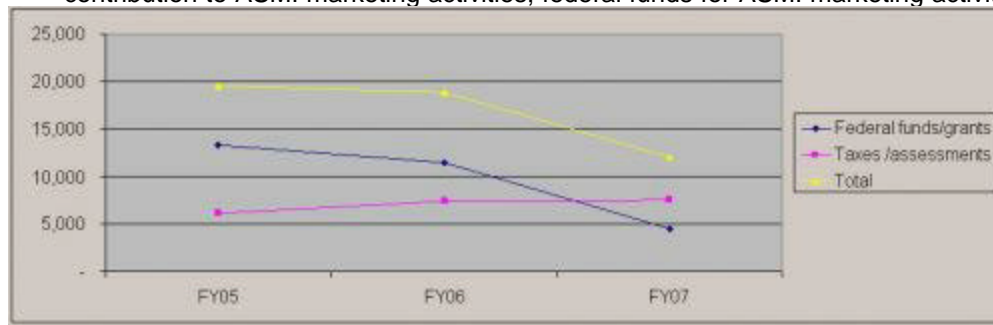
International currency fluctuations, tariffs and trade barriers affecting international trade. For example, value-added Pacific salmon products going to the European Union are subject to a much higher tariff than headed and gutted salmon, the tariff on Pacific halibut is higher than that for Atlantic halibut.

Low prices on competing proteins generally (chicken, beef, pork, dairy); well-funded campaigns promoting other proteins (e.g., campaigns in the European Union and China fielded by the Norwegian Seafood Export Council).

**A1: Strategy - In the U.S. and overseas conduct consumer campaigns, retail and foodservice promotions, public/media relations, technical education to increase the value of Alaska seafood resources.**

**Target #1:** Stable funding to sustain ongoing long-range marketing campaigns in U.S. and key overseas markets.

**Measure #1:** Industry match raised through processor-paid marketing assessment; state general fund contribution to ASMI marketing activities; federal funds for ASMI marketing activities.



**Analysis of results and challenges:** Over half of funding for the past two years has come from multiple federal sources. Much of this funding source will be reduced or eliminated in FY 08. Creating "pull" and a strong brand in the marketplace requires consistent messaging over time and funding to support this activity. Without a new source of funds the ability to continue on this very successful path will no longer be present.

**Target #2:** Conduct consumer advertising campaigns, foodservice and retail marketing programs.

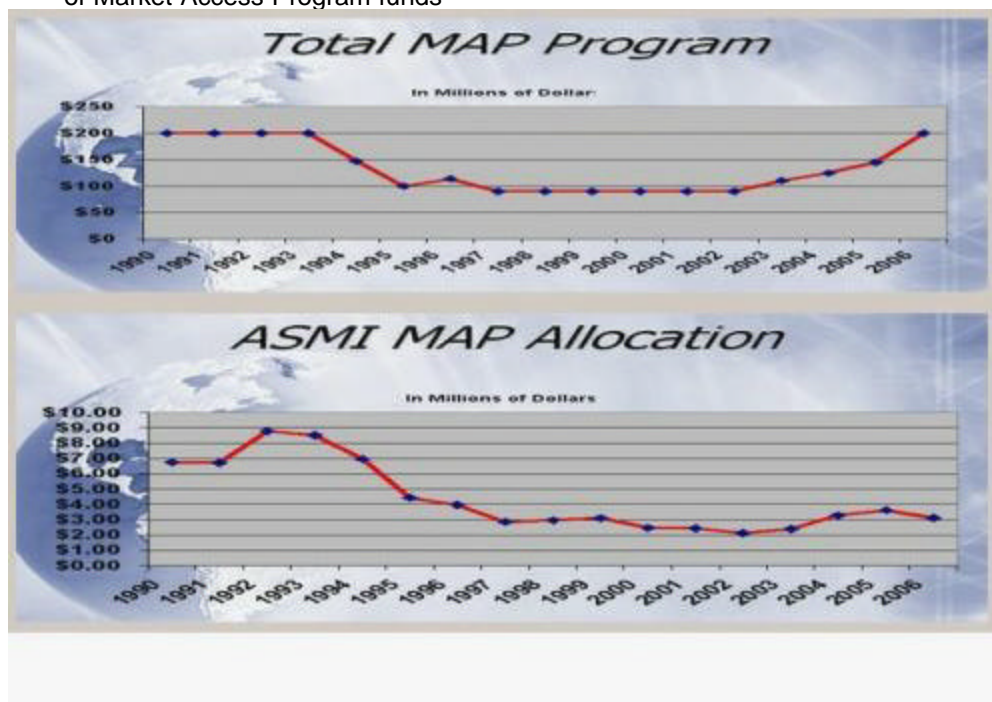
**Measure #2:** Consumer surveys relating to Alaska seafood preference; data collection on brand penetration in foodservice sector; product value increases as measured by retail scan data; export figures for Alaska seafood products to countries where ASMI is active.

**Analysis of results and challenges:** Consumer advertising campaigns and marketing programs have contributed to a strong brand position in the marketplace relative to four years ago, especially for salmon. In order to hold and/or build on the current position, in the U.S. and overseas, a continued effort at current spending levels is necessary. Competition for "center of the plate" protein is fierce and other proteins extremely well funded. Cutting back on ASMI programs now will quickly surrender the ground that has been gained to date.



**Target #3:** Successfully leverage larger share of USDA Market Access Program dollars that fund international marketing activities

**Measure #3:** USDA Foreign Agricultural Service allocation of award to ASMI, compared to previous years' share of Market Access Program funds



**Analysis of results and challenges:** Alaska has been informed by USDA Foreign Agricultural Service to bring a larger proportionate contribution of match money to the table in order to obtain an increased share of the allocation. ASMI has committed to a higher contribution rate for FY 07. Although the total amount of money allocated to MAP has grown in recent years, the amount allocated to Alaska seafood promotion has not reflected a proportionate increase but has remained relatively flat. An additional constraint is that the MAP allocation is subject to annual congressional budget appropriation.

## Key Component Challenges

Price resistance is a factor following periods of strengthening prices for Alaska seafood products, as commodity markets are price-driven/price sensitive.

Seasonality and consistency of supply, as well as the inelasticity of supply constitute major constraints on increasing the value of the seafood harvest. Harvest levels are subject to fluctuation on both seasonal basis and year to year bases.

The harvest from Alaska's commercial fisheries is biologically limited, relative to often subsidized foreign aquaculture production.

The harvesting and processing sectors face potentially crippling increases in fuel and fuel-price-driven transportation costs.

International currency fluctuations, tariffs and trade barriers affecting international trade affect this global industry, dictating what markets will receive various products.

Modest levels of funding for promotion limit the reach of the Alaska Seafood brand in the marketplace: in the face of stiff well-funded competition promoting farmed aquaculture products, both domestic and foreign, and other forms of food proteins: beef, pork, chicken and dairy products: most of which are cheaper than many Alaska seafood offerings.

Product form and quality, primarily for Alaska salmon, are changing to capture market trends and consumer demands

(e.g. skinless, boneless filets of consistent quality), however the changes have yet to affect the majority of the catch.

Messages in the media about actual and possible contaminants in seafood affect the consumer's image of all seafood products; and make further protein market penetration by the seafood industry more difficult.

Global aquaculture development and production growth is a significant challenge for the Alaska seafood industry. Effects of salmon farming on Alaska salmon values are already well documented. Considerable aquaculture development effort is now going into cod, sablefish, and halibut, which represent a combined one-third of Alaska ex-vessel value. The farming of tilapia, and other low-cost whitefish varieties is already beginning to affect prices in the whitefish and surimi markets much as farmed salmon did a decade ago.

Recent discovery and excessive harvesting of king crab in the Barents Sea has flooded the marketplace with inexpensive, high quality product from Russia, displacing Alaska product.

## Significant Changes in Results to be Delivered in FY2008

Increase the economic value of the Alaska seafood resource. (This is the agency mission adopted by the seven-member board of directors of our restructured marketing organization.) The extent to which ASMI can sustain the current momentum of wild Alaska seafood in the marketplace will be dictated in part by funding levels. The most significant changes will be:

- Increase fivefold the number of consumer "impressions" of Alaska Seafood key messages through addition of a cable TV component to the U.S. consumer advertising campaign.
- For the first time in a decade, use combination of television and print publications to "pull" product through the U.S. marketplace
- Refine alignment with marketing efforts of suppliers through resource/information sharing and newly formed operational committees, to provide more efficient and cost effective service to Alaska's seafood industry; industry provides feedback to fine-tune ASMI effort for maximum sales lift
- Ramp up promotions to increase sales of frozen Alaska seafood in the U.S. to keep pace with increased offerings of skinless, boneless value-added products using Alaska Seafood; through a strong Cook It Frozen initiative in the U.S.
- Increase volume and value of Alaska seafood exports to specific countries in which ASMI is active by taking advantage of new opportunities in each marketplace: Japan, China, Western Europe, Northern Europe and Southern Europe
- Expand exploration of new markets for Alaska seafood, particularly into prospects for emerging markets overseas in Russia and Eastern Europe

## Major Component Accomplishments in 2006

SMI has been a key part of the overall industry effort launched through the Fisheries Revitalization Strategy.

- Increased consumption of fresh and frozen Alaska Seafood in the U.S. and key international markets
- Grew brand equity for the Alaska Seafood brand: the latest research shows that in the U.S. 77% of restaurant diners have a positive impression of the Alaska Seafood brand
- Conducted innovative consumer campaigns, including vigorous campaigns for fresh, frozen and canned/shelf stable Alaska seafood products in the U.S.
- Substantially improved alignment with industry trade spending
- Initiated a television ad campaign on TV Food Network promoting Alaska Seafood, Alaska Salmon and Alaska Crab as abundant
- Creation and placement of new advertisements for publications read by home cooks, chefs, and restaurant owners: ads star cutting-edge chefs presenting the latest culinary trends, and educate readers about sustainability and abundance of wild Alaska Seafood
- Prices paid to fishermen for most species are on the uptick: **preliminary** ADF&G numbers indicate that while

the salmon harvest in 2006 was smaller, prices paid to fishermen were up for every species but sockeye. For example, chinook prices increased to \$2.77, up from \$2.23.

Results reflect a more positive outlook on the part of industry, including the salmon sector, a dramatic turnaround from 4 years ago. Results include: Increased ex-vessel values for Alaska Seafood; 10% increase from 2004 to 2005 (the most recent final statistics available)

Increased ex-vessel value of salmon: 23% increase in ex-vessel value from 2004 to 2005 (most recent final statistics available)

Increased first wholesale value of salmon: 13% respectively from 2004 to 2005 (most recent final statistics available)

Value of Alaska Seafood exports to ASMI program destination countries increased 15% from 2004 to 2005 (most recent final statistics available)

Surimi made with Alaska pollock grows in popularity in Europe; more fresh and frozen salmon fillets going into the EU  
ASMI's Alaska pavilion in Europe's largest trade show generated projected sales over 12 months of over \$106 million for 15 participating Alaska seafood companies

ASMI's access to the corporate offices of grocery retailers, restaurant operators and foodservice distributors has successfully increased the value of its corporate partnerships, and achieved increased use and awareness of the Alaska Seafood brand and companion brands. The relationships built by ASMI have built brand equity for Alaska Seafood: as a result of educating chefs, restaurant operators, foodservice distributors and seafood buyers about Alaska Seafood, it has become one of the top three most popular food brands on menus of the top 500 U.S. restaurant chains and is increasing in popularity in key overseas markets as well. More people than ever before are being exposed to the brand and to key messages about what it stands for: "Alaska" signifies wild, natural, unparalleled flavor, superior quality, sustainability, versatility, ease of preparation, and healthfulness. ASMI is committed to building the enthusiasm

## Statutory and Regulatory Authority

AS 16.51.010-180      Alaska Seafood Marketing Institute  
15 AAC 116.600-700      Seafood Marketing Assessment on Processors

### Contact Information

**Contact:** Ernest R. Riutta, Executive Director

**Phone:** (907) 465-5560

**Fax:** (907) 465-5572

**E-mail:** rriutta@alaskaseafood.org

### Alaska Seafood Marketing Institute Component Financial Summary

*All dollars shown in thousands*

	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	1,671.7	1,700.2	1,937.0
72000 Travel	438.6	418.0	418.0
73000 Services	12,539.2	14,741.8	14,748.2
74000 Commodities	138.0	180.0	180.0
75000 Capital Outlay	2.7	8.5	8.5
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>14,790.2</b>	<b>17,048.5</b>	<b>17,291.7</b>
<b>Funding Sources:</b>			
1002 Federal Receipts	4,434.1	6,200.0	6,200.0
1004 General Fund Receipts	0.0	1,000.0	1,000.0
1108 Statutory Designated Program Receipts	4,254.8	4,000.0	4,000.0
1156 Receipt Supported Services	6,101.3	5,848.5	6,091.7
<b>Funding Totals</b>	<b>14,790.2</b>	<b>17,048.5</b>	<b>17,291.7</b>

### Estimated Revenue Collections

Description	Master Revenue Account	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
<b>Unrestricted Revenues</b>				
None.		0.0	0.0	0.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Restricted Revenues</b>				
Federal Receipts	51010	4,434.1	6,200.0	6,200.0
Statutory Designated Program Receipts	51063	4,254.8	4,000.0	4,000.0
Receipt Supported Services	51073	6,101.3	5,848.5	6,091.7
<b>Restricted Total</b>		<b>14,790.2</b>	<b>16,048.5</b>	<b>16,291.7</b>
<b>Total Estimated Revenues</b>		<b>14,790.2</b>	<b>16,048.5</b>	<b>16,291.7</b>

**Summary of Component Budget Changes  
From FY2007 Management Plan to FY2008 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2007 Management Plan</b>	<b>1,000.0</b>	<b>6,200.0</b>	<b>9,848.5</b>	<b>17,048.5</b>
<b>Adjustments which will continue current level of service:</b>				
-FY 08 Health Insurance Increases for Exempt Employees	0.0	0.0	3.5	3.5
<b>Proposed budget increases:</b>				
-FY 08 Internal Dept Cost Increase due to Retirement Systems Rate Increases	0.0	0.0	6.4	6.4
-FY 08 Retirement Systems Rate Increases	0.0	0.0	233.3	233.3
<b>FY2008 Governor</b>	<b>1,000.0</b>	<b>6,200.0</b>	<b>10,091.7</b>	<b>17,291.7</b>

### Alaska Seafood Marketing Institute Personal Services Information

Authorized Positions			Personal Services Costs	
	<u>FY2007</u> <u>Management</u> <u>Plan</u>	<u>FY2008</u> <u>Governor</u>		
Full-time	18	18	Annual Salaries	1,178,047
Part-time	0	0	Premium Pay	0
Nonpermanent	1	0	Annual Benefits	833,723
			<i>Less 3.72% Vacancy Factor</i>	<i>(74,770)</i>
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>19</b>	<b>18</b>	<b>Total Personal Services</b>	<b>1,937,000</b>

### Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Technician	0	0	2	0	2
Admin Support Technician	0	0	1	1	2
Administrative Assistant	0	0	1	0	1
Administrative Officer	0	0	1	0	1
Asst Marketing Director	0	0	0	1	1
Communications Director	0	0	1	0	1
Executive Director	0	0	1	0	1
Export Program Director	0	0	0	1	1
Foodservice Director	0	0	0	1	1
Marketing Specialist	0	0	0	3	3
Project Assistant	0	0	1	0	1
Quality Assurance Coordinator	0	0	1	0	1
Retail Program Director	0	0	0	1	1
Sr Marketing Spec/Res Analyst	0	0	0	1	1
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>9</b>	<b>18</b>